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FISCAL IMPACT STATEMENT

LS 7199 | **NOTE PREPARED:** Jan 5, 2004
BILL NUMBER: SB 362 | **BILL AMENDED:**

SUBJECT: Farmland protection program.

FIRST AUTHOR: Sen. Jackman | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL | **IMPACT:** State & Local
X DEDICATED
X FEDERAL

Summary of Legislation: This bill freezes the assessed value of land classified in the Farmland Protection Program. Upon withdrawal from the classification, the bill requires payment of the property taxes that would have been assessed to the land during the lesser of the period of classification or ten years, plus interest. It requires deposit of the property taxes in the Farmland Protection Program Account.

The bill also creates the Farmland Protection Program to be administered by the Indiana Land Resources Council. It creates the Farmland Protection Program Account, and appropriates money in the account.

Effective Date: July 1, 2004; January 1, 2005.

Explanation of State Expenditures: This bill would create the Farmland Protection Program. The program would be administered by the Indiana Land Resources Council which is currently staffed and administered by the Commissioner of Agriculture. The Council currently consists of nine members plus the Commissioner. The Council's responsibilities and costs would increase under this proposal.

Owners of land in the program would be given priority for state grants or technical assistance given by the Commissioner or the Department of Commerce. In addition, land that has been classified under the program would be deemed "protected farmland". As such, if the land is condemned, the owner would receive as compensation, 200% of the fair market value of the land. This premium does not apply if condemnation is for a highway, road, street, or right-of-way.

Under the proposal, the Council, working with local agencies, would be required to establish criteria for "designated areas" on a county by county basis. It must also establish criteria for evaluating applications for the program including requirements that the farmland:

1. Is in a designated area.
2. Has been in production or in a conservation program for at least five years.
3. Is composed of at least 35acres of working land with not more than one residence.

The criteria may give preference to land that is part of certain other agricultural programs. Larger tracts of land would also be given priority. Inclusion in the program would require a minimum score on a points system that would include standards on soil erosion, conservation plans, landowner participation, and management plans.

The bill would create the Farmland Protection Program Account in the state General Fund to provide matching funds for the purchase of conservation easements through the Federal Farm and Ranch Lands Protection Program (7 CFR 1941). The non-reverting account would include revenue from:

1. Recaptured taxes from farmland that is withdrawn from the program;
2. Gifts and bequests; and
3. Grants.

Expenses associated with administering the account would be paid from the account. The bill makes a continuous appropriation from the account for the approved uses of the funds.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under the program, farmland may be entered for classification for assessment purposes. For as long as it is in the program, the assessed value of farmland that is classified under this program would equal the lesser of (1) the assessment under the normal rules in effect in a tax year or (2) the assessed value on the assessment date that follows the date on which the farmland was entered into the program. (The base assessed value for farmland is currently $1,050 per acre.)

This means that as the value of farmland in general is periodically increased, whether through annual adjustments or a general reassessment, the value of farmland in the program would remain unchanged (unless the new assessment would be lower). Annual assessment adjustments are scheduled to begin with taxes paid in 2006 and the next general reassessment will take effect with taxes paid in 2010.

Over time, the stagnant assessment on this land would shift part of the property tax burden from the classified farmland owners to all taxpayers in the form of an increased tax rate. The amount of the tax shift would depend on the amount and value of farmland placed in the program.

Farmland that is withdrawn from the program is subject to a penalty equal to any tax savings for the preceding ten years plus interest calculated at 10% per year.

State Agencies Affected: Commissioner of Agriculture; Indiana Land Resources Council; Department of Commerce.

Local Agencies Affected:

Information Sources:

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